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AZ CORP COMMISSION
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**EXHIBITS
IN
RESPONSE TO
THE PROPOSED RATE INCREASES
SUBMITTED BY
UTILITY SOURCE LLC REBUTAL
And
ARIZONA CORPORATION COMMISSION
TESTAMONY**

**ARIZONA CORPORATION COMMISSION
DOCKET NO. WS-04235A-06-0303**

**SUBMITTED BY:
PONDEROSA FIRE DISTRICT
PO BOX 16359
BELLEMONT, AZ 86015**

Arizona Corporation Commission
DOCKETED

MAR 20 2007

March 19, 2007

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Commentary

In its intervention document dated December 15, 2006 the Ponderosa Fire District illustrated the effects the proposed Utility Source LLC rate increases would have on an average monthly utility bill. Figures 7 and 8, pages 13 and 14 respectively from the intervention document, are reproduced here as figures A and B to provide a foundation upon which the progression of proposed rate structures submitted by the Arizona Corporation Commission on January 19, 2007, and the rebuttal testimony from Utility Source dated February 16, 2007 can be logically illustrated..

Figure C is based on the testimony of Jeffery M. Michlik on January 19, 2007, Schedules JMM-WW 14 and W-16. Figures C-1 and C-2 are reproductions taken from Mr. Michlik's testimony and presented here as documentation for the data compiled in Figure C.

Figure D is based on Thomas J. Bourassa's Rebuttal Testimony submitted on February 16, 2007, Water Division pages 14-15 and Sewer Division page 12. Figures D-1 and D-2 are reproductions taken from Mr. Bourassa's testimony and presented here as documentation for the data compiled in Figure D.

Figure C compiled from Arizona Corporation Commission Testimony has a flat commercial water rate for a 2inch service of \$9.26 per one thousand gallons and a sewer rate of \$5.45 per one thousand gallons of water used. The monthly service fee is \$148.60. Using these proposed rates an average utility bill for the Ponderosa Fire District would be increase from \$40.85 to \$223.92 per month, an increase of \$183.07 or 548.15%.

Figure D was compiled from Thomas J. Bourassa's Rebuttal testimony on behalf of Utility Source LLC proposes a 2-inch service commercial tiered water rate of \$12.48 up to \$16.22 per one thousand gallons and a sewer rate of \$6.70 per one thousand gallons of water used. The monthly service fee is \$285.92. Using these proposed rates an average utility bill for the Ponderosa Fire District would be increase from \$40.85 to \$389.40 per month, an increase of \$348.55 or 953.24%.

The common factor in both the Arizona Corporation Commission and the Utility Source LLC rate structures is the jump in the monthly commercial service fee from \$14.00 per month to \$148.60 and \$285.92 per month or 1060.14% and 2042.29% respectively. Water rates increase 311.78% to 420.20%, while sewer rates rise 199.63% to 245.42%.

Add a 5.6% tax onto the water and service fees and the proposed rate increases become a major financial factor for a tax based public entity such as the Ponderosa Fire District not to mention for people living or trying to operate a commercial venture in the Utility Source LLC service area.

It is understood that Utility Source LLC as part of the development scheme for Flagstaff Meadows Phases I & II charged a lower than economic utility rate as a ploy to entice homebuyers. Since the developer and primary builder of Flagstaff Meadows is now the primary owner of Utility Source LLC, it is likely that part if not all development costs associated with implementing the utility systems were integrated into the overall cost of development. As such the initial cost of the utility system would have been incorporated into the cost of the new homes.

Since the existing customers may possibly have already paid part or all of the development costs of the utility system, any to date revenue deficits should be considered as part of the overall development cost because the rates were knowingly set abnormally low as an enticement for homebuyers.

The proposed exclusion of Flagstaff Meadows Phase III Development scheduled to commence in the spring of 2007 possibly accounts for the excessive rates quoted in Mr. Thomas J. Bourassa's Rebuttal Testimony submitted on February 16, 2007. All expenses incurred to date would be charged to the approximately 350 existing residential and commercial customers and exclude the 350 new residential customers.

During the construction phase of the new residences the proposed construction meter rate would be \$12.48 per one thousand gallons with no minimum monthly charge (figure D-1). Once the residences were completed the utility rates would revert the proposed rates submitted in Mr. Thomas J. Bourassa's Rebuttal Testimony submitted on February 16, 2007.

Apparently any revenues generated from the Phase III construction would be unburdened income. In other words free and clear profit less the day-to-day incurred operational expenses.

Parks-Bellemont Fire District
PO Box 16359
Bellemont, AZ 86015

Utility Source
721 E. San Pedro
Gilbert, AZ 85234
866-768-3500

Account Number: 819-996
Billing Date: 08-12-2006 Due Date: 09-02-2006

Service Period: 07-02-2006 to 08-02-2006
Service Address: 1-40 Exit 185

Service Type	Previous Reading	Current Reading	Usage in Gallons	Rate / 1000 Gallons	Charge
Charge: 2" meter	24000	28400			\$14.00
Sewer:			4400	\$2.73	\$12.01
Water: 0-5000			4400	\$2.97	\$13.07
Water: 5000-15000			0	\$2.97	\$0.00
Water: Over 15000			0	\$2.97	\$0.00
Total Water:			4400		\$13.07

Balance as of 7/14/2006: \$(7.48)

New Charges Base, Water, and Sewer fees: \$39.08
Tax (for base charge and water): \$1.77
Total Amount Due: \$33.37*
Due Date: 09-02-2006

*Note: \$33.37 + \$(7.48) Balance due = \$40.85 Total Amount Due

Figure A
Average Monthly Bill before rate increases

Ponderosa Fire District
PO Box 16359
Bellemont, AZ 86015

Utility Source
721 E. San Pedro
Gilbert, AZ 85234
866-768-3500

Account Number: 819-996
Billing Date: 08-12-2006 Due Date: 09-02-2006

Service Period: 07-02-2006 to 08-02-2006
Service Address: 1-40 Exit 185

Service Type	Previous Reading	Current Reading	Usage in Gallons	Rate / 1000 Gallons	Charge
Charge: 2" meter	24000	28400			\$129.60
Sewer:			4400	\$7.12	\$31.32
Water: 0-5000			4400	\$9.26	\$40.74
Water: 5000-15000			0	\$9.26	\$0.00
Water: Over 15000			0	\$9.26	\$0.00
Total Water:			4400		\$40.74

Balance as of 7/14/2006: \$0.00

New Charges Base, Water, and Sewer fees: \$201.67
5.6% Tax (for base charge and water): \$4.69
Total Amount Due: \$206.36
Due Date: 09-02-2006

Figure B
Average Monthly Bill after initial proposed Utility Source LLC rate increases.

Ponderosa Fire District
PO Box 16359
Bellemont, AZ 86015

Utility Source
721 E. San Pedro
Gilbert, AZ 85234
866-768-3500

Account Number: 819-996
Billing Date: 08-12-2006 Due Date: 09-02-2006

Service Period: 07-02-2006 to 08-02-2006
Service Address: 1-40 Exit 185

Service Type	Previous Reading	Current Reading	Usage in Gallons	Rate / 1000 Gallons	Charge
Charge: 2" meter	24000	28400			\$148.60*
Sewer:			4400	\$5.45**	\$23.98
Water: 0-5000			4400	\$9.26**	\$40.74
Water: 5000-15000			0	\$9.26	\$0.00
Water: Over 15000			0	\$9.26	\$0.00
Total Water:			4400		\$40.74

Balance as of 7/14/2006: \$0.00

New Charges Base, Water, and Sewer fees: \$213.32
5.6% Tax (for base charge and water): \$10.60
Total Amount Due: \$223.92
Due Date: 09-02-2006

- * Jeffery M. Michlik Testimony January 19, 2007, Schedule JMM-W16
- ** Jeffery M. Michlik Testimony January 19, 2007, Schedule JMM-WW 14
- *** Jeffery M. Michlik Testimony January 19, 2007, Schedule JMM-W16

Figure C
Average Monthly Bill following ACC guideline rate increases.

UTILITY SOURCE, LLC. - Water Division
Docket No. WS-04235A-06-0303
Test Year Ended December 31, 2005

From Zero to 5,000 Gallons	N/A	\$ 8.82	N/A
From 5,001 to 15,000 Gallons	N/A	10.35	N/A
Over 15,000 Gallons	N/A	14.69	N/A
From Zero to 4,000 Gallons	N/A	N/A	N/A
From 4,001 to 9,000 Gallons	N/A	N/A	\$ 7.16
Over 9,000 Gallons	N/A	N/A	8.60
1" Meter and Larger (Commercial)			
Gallons Included in Minimum	-	-	-
Excess of Minimum - per 1,000 Gallons			
From 1 to 8,000 Gallons	N/A	N/A	N/A
From 8,001 to 15,000 Gallons	N/A	N/A	N/A
In excess of 15,000 Gallons	N/A	N/A	N/A
From Zero to 5,000 Gallons	N/A	N/A	N/A
From 5,001 to 15,000 Gallons	N/A	N/A	N/A
Over 15,000 Gallons	N/A	N/A	N/A
From Zero to 9,000 Gallons	N/A	N/A	\$ 7.16
From 4,001 to 9,000 Gallons	N/A	N/A	8.60
Over 9,000 Gallons	N/A	N/A	
<u>Multi-Family Mobile Home, and Commercial Customers</u>			
All consumption per 1,000 gallons	\$ 2.97	\$ 9.26	N/A
<u>Irrigation Meters</u>			
Charge per 1,000 gallons for usage	N/A	\$ 9.26	\$ 9.26
<u>Standpipe or Bulk Water</u>			
Standpipe or bulk water per 1,000 gallons	\$ 6.00	\$ 10.35	\$ 10.35
<u>Construction Water</u>			
Construction Water per 1,000 gallons	\$ 6.00	\$ 10.35	\$ 10.35
<u>Service Line and Meter Installation Charges</u>			
5/8" x 3/4" Meter	\$ -	\$ -	\$ 520.00
3/4" Meter	575.00	575.00	575.00
1" Meter	660.00	660.00	660.00
1 1/2" Meter	900.00	900.00	900.00
2" Turbine Meter	1,525.00	1,525.00	1,525.00
2" Compound Meter	-	-	2,320.00
3" Turbine Meter	-	-	2,275.00
3" Compound Meter	-	-	3,110.00
4" Turbine Meter	3,380.00	3,380.00	3,380.00
4" Compound Meter	-	-	4,475.00
6" Turbine Meter	6,035.00	6,035.00	8,035.00
6" Compound Meter	-	-	8,050.00
<u>Service Charges</u>			
Establishment	\$ 20.00	\$ 20.00	\$ 20.00
Establishment of Services after hours	40.00	40.00	40.00
Re-establishment of Service	-	-	-
Reconnection Service	50.00	50.00	60.00
Reconnection (Delinquent and After Hours)	40.00	40.00	40.00
Charge for moving meter	Cost	Cost	Cost
After hours service charge	40.00	40.00	40.00
Minimum Deposit Requirement	**	**	**
Deposit Interest	3.00%	3.00%	Per Rule
Meter Test	20.00	20.00	20.00
Meter Re-Read	10.00	10.00	10.00
Charge for NSF Check	20.00	20.00	20.00
Late Payment charge for delinquent bill	1.50%	1.50%	***
Deferred Payment Finance Charge	1.50%	1.50%	***
Main Extension and additional facility agreements	***	***	***
<p>* Per Commission Rule Rule R14-2-403(D) ** Per Commission Rule Rule R14-2-403(B) *** Per Commission Rule Rule R14-2-406(B)</p>			

Figure C-1
Jeffery M. Michlik Testimony January 19, 2007, Schedule JMM-W16

UTILITY SOURCE, LLC. - Sewer Division
Docket No. W-04235A-06-0303
Test Year Ended December 31, 2005

Schedule JMM-WW14

RATE DESIGN

Monthly Minimum Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
Rate per 1,000 gal. water usage			
Residential	\$ 2.73	\$ 7.28	\$ 5.58
Car washes, Laundromats, commercial, manufacturing	2.67	7.12	5.45
Hotels and Motels	3.58	9.55	7.31
Restaurants	4.42	11.79	9.03
Industrial Laundries	3.92	10.45	8.01
Waste Haulers	80.00	213.36	163.44
Restaurant Grease	70.00	186.69	143.01
Treatment Plant Sludge	80.00	213.36	163.44
Mud Sump Waste	250.00	666.75	510.75
Service Charges			
Establishment	\$ 20.00	\$ 20.00	\$ 20.00
Establishment of Services after hours	40.00	40.00	40.00
Re-establishment of Service	*	*	*
Reconnection Services	50.00	50.00	50.00
Reconnection (Delinquent and After Hours)	40.00	40.00	40.00
Minimum Deposit Requirement	**	**	**
Deposit Interest	3.00%	3.00%	Per Rule
Charges for NSF Check	20.00	20.00	20.00
Deferred Payment Finance Charge	1.50%	1.50%	***
Late Payment, Per Month	***	***	***
Service Calls, per hour (After hours only)	40.00	40.00	40.00
Service Lateral Connection Charge:			
Residential	500.00	500.00	500.00
Commercial	Cost	Cost	Cost
Main Extension Tariff	Cost	Cost	Cost

- * Per Commission Rule R14-2-603(D)
- ** Per Commission Rule R14-2-603(B)
- *** Per Commission Rule R14-2-608(F)

Figure C-2

Jeffery M. Michlik Testimony January 19, 2007, Schedule JMM-WW 14

Ponderosa Fire District
PO Box 16359
Bellemont, AZ 86015

Utility Source
721 E. San Pedro
Gilbert, AZ 85234
866-768-3500

Account Number: 819-996
Billing Date: 08-12-2006 Due Date: 09-02-2006

Service Period: 07-02-2006 to 08-02-2006
Service Address: 1-40 Exit 185

Service Type	Previous Reading	Current Reading	Usage in Gallons	Rate / 1000 Gallons	Charge
Charge: 2" meter	24000	28400			\$285.92*
Sewer:			4400	\$6.70**	\$29.48
Water: 0-5000			4400	\$12.48***	\$54.91
Water: 5000-96000			0	\$12.48	\$0.00
Water: Over 96000			0	\$16.22	\$0.00
Total Water:			4400		\$54.91

Balance as of 7/14/2006: \$0.00

New Charges Base, Water, and Sewer fees: \$370.31
5.6% Tax (for base charge and water): \$19.09
Total Amount Due: \$389.40
Due Date: 09-02-2006

- * Thomas J. Bourassa Rebuttal testimony, February 16, 2007, Water Division, Pages 14-15
- ** Thomas J. Bourassa Rebuttal testimony, February 16, 2007, Sewer Division, Page 12
- *** Thomas J. Bourassa Rebuttal testimony, February 16, 2007, Water Division, Page 14-15

Figure D
Average monthly bill following Utility Source rate increases proposed in the
February 16, 2007 rebuttal.

<u>Meter Size</u>	<u>Monthly Minimum</u>	<u>Gallons included in Monthly Minimum</u>
5/8	\$ 35.74	0
3/4	\$ 35.74	0
1	\$ 89.34	0
1 1/2	\$ 178.69	0
2	\$ 285.90	0
3	\$ 571.80	0
4	\$ 893.43	0
6	\$1,786.86	0

The commodity charges and tiers by meter size are:

<u>Meter Size</u>	<u>Tier (gallons)</u>	<u>Charge per 1,000 gallons</u>
5/8 and 3/4 Inch	1 to 4,000	\$ 9.60
	4,001 to 12,000	\$12.48
	Over 12,000	\$16.22
1 Inch	1 to 30,000 (22,500 ??)	\$12.48
	Over 30,000	\$16.22
1 1/2 Inch	1 to 60,000	\$12.48
	Over 60,000	\$16.22
2 Inch	1 to 96,000	\$12.48
	Over 96,000	\$16.22
3 Inch	1 to 192,000	\$12.48
	Over 192,000	\$16.22
4 Inch	1 to 300,000	\$12.48
	Over 300,000	\$16.22
6 Inch	1 to 600,000	\$12.48
	Over 600,000	\$16.22

The proposed construction meter and standpipe rate is \$12.48 per 1,000 gallons with no minimum monthly charge.

Figure D-1
Thomas J. Bourassa Rebuttal testimony, February 16, 2007, Water Division, Page 14-15

The rebuttal proposed rates are:

<u>Customer Class</u>	<u>Flat Monthly Charge</u>	<u>Charge per 1,000 gallons of Water Usage</u>
Residential	N/A	\$ 6.85
Car Washes, Laundromats, Commercial, Manufacturing	N/A	\$ 6.70
Hotels, Motels	N/A	\$ 8.99
Restaurants	N/A	\$ 11.09
Industrial Laundries	N/A	\$ 9.84
Waste Haulers	N/A	\$200.80
Restaurant Grease	N/A	\$175.70
Treatment Plant Sludge	N/A	\$200.80
Mud Sump Waste	N/A	\$627.50

Figure D-2

Thomas J. Bourassa Rebuttal testimony, February 16, 2007, Sewer Division, Page 12